Recommendations for

A NEW FARM PROGRAM

January 1954

The proposed new farm program which the President presented to Congress January 11 is designed to clear up many of today's agricultural problems.

First purpose of the program, as outlined in the President's message, is to help agriculture obtain its proportionate share of the national income. To accomplish this, the plan attacks the problems of surpluses and unbalanced production, and aims to halt what the President called "the growing threat to our present agricultural program."

The President's proposals are based on the consideration that a workable farm program must have flexibility to meet changing conditions. The proposals also take into account the varying problems of the different commodities and the need for adapting the program to these differences. The President recommended that the adjustment to the new program be gradual.

Principal features of the proposed program include:

1. Setting aside excess reserves up to the value of $2,500,000,000 from the stocks of commodities held by the Commodity Credit Corporation. Purpose of insulating these stocks would be to enable the new program to begin operating on its own merits, without being hampered by the presence of price-depressing surpluses.

2. Initiating a flexible price support program in 1955 for the basic commodities as provided in the Agricultural Acts of 1948 and 1949. It would relate the price support level to the supply of each commodity.

3. Applying a modernized parity formula in determining price support levels of all commodities beginning January 1, 1956. (Modernized parity brings price relationships up to date instead of relying solely on the years 1909-14. The old formula is still used for corn, cotton, peanuts, and wheat.)

4. Continuing the authority of the Secretary of Agriculture to apply price supports at more than 90 percent of parity when the national welfare or national security requires.

U. S. Department of Agriculture

FACING THE ECONOMIC FACTS

The basic facts in the present agricultural situation point up the need for farm program adjustments. Outstanding among these facts are the huge surpluses of certain crops, which have caused record outlays of Government funds to maintain the present price support program.

The Commodity Credit Corporation's investment in farm commodities has more than doubled in the last year and is now over the $5.5 billion mark. To assure that present price support commitments on 1953 and 1954 crops will be covered, the President has asked Congress to increase the limitation on CCC's borrowing authority from $6,750,000,000 to $8,500,000,000.

The Government has invested more than $2 billion in wheat alone. It owns 443 million bushels and likely will acquire more than half of another 431 million bushels on which it has made loans. This total would be more than the domestic requirements of the entire nation for a full year.

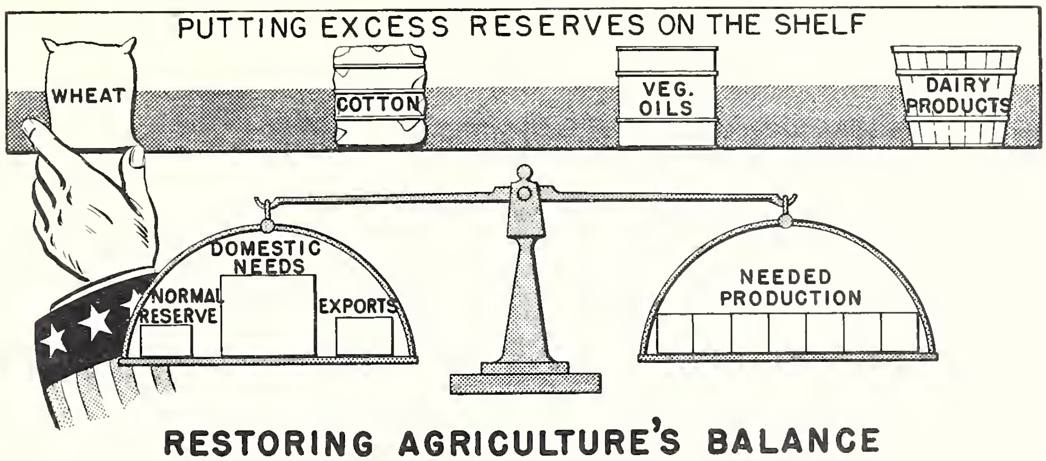
Here is a comparison of CCC's holdings of major farm commodities, plus CCC's outstanding loans on corn, wheat, cotton, and wool as of January 1953 and January 1954:

	1954		1953	
Corn	470,000,000	bus.	373,000,000	bus.
Wheat	874,000,000	"	470,000,000	"
Cotton	7,000,000	bales	1,452,000	bales
Wool	128,000,000	lbs.	77,000,000	lbs.
Butter	261,000,000	"	18,000,000	"
Cheese	257,000,000	"	2,000,000	"
Dry Milk	440,000,000	"	40,000,000	"
Cottonseed Oil	1,027,000,000	"	242,000,000	"
Linseed Oil	273,000,000	"	186,000,000	"

In order to avoid accumulation of greater surpluses, it was necessary to proclaim acreage allotments and marketing quotas on cotton and wheat for 1954. The Government is also asking for a reduction in the corn acreage.

These reductions in three major crops may total more than 25 million acres. A part of these acres might be retired from production and put to soil-conserving uses.

The price support program recommended by the President is intended to bring about gradual adjustments in acreages and thus avoid the distressing situation that farmers face this year.



One of the principal features of the proposed new farm program is the plan to set aside "excess reserves" of certain commodities to ease the transition to the new program.

The President asked the Congress to authorize setting aside such reserves of wheat, cotton, vegetable oils, and possibly some dairy products, from CCC-owned stocks up to the total value of $2,500,000,000. "Putting these surpluses on the shelf" is regarded as an essential first step in launching the new farm program.

The "frozen excess" would be removed from competition with other supplies. The Congress has been asked to grant broad discretionary authority for management of the quantities set aside. Likely outlets would be foreign aid, new foreign markets, disaster and famine relief. Stocks of the "frozen" commodities would be rotated with fresh stocks to prevent deterioration.

These "set asides" would not be included in total supply calculations. Since acreage allotments and the level of price supports under the flexible system vary with the supplies of commodities, the "freeze" would prevent the larger reductions which otherwise would be mandatory.

A normal reserve of most commodities still would be maintained by CCC. Having reserves available in 1953 enabled the Department of Agriculture to help drought-stricken farmers by selling them more than 1.5 million tons of feed at greatly reduced prices.

PRICE SUPPORT AND PARITY

The President's recommendations to the Congress call for no changes in the price support program in 1954. The six basic commodities will continue to be supported at 90 percent of parity, as fixed by law, and support levels of most other commodities will be at the discretion of the Secretary of Agriculture within the limitations set by Congress.

The new program does, however, recommend that a system of flexible supports be authorized to become effective for the basic commodities on January 1, 1955. This flexibility in the price support program was provided by Congress in the Agricultural Acts of 1948 and 1949, but the application of the flexible support plan on basics was postponed by legislation.

The program of flexible supports provides for gradual adjustments. Changes in the support level would be limited to one percent for every two percent change in the total supply of each commodity except corn. If the supply is abundant, a lowered price stimulates consumption and discourages production. If the supply is short, an increased price support level encourages production.

Provisions of the new program for individual commodities are given on the following page.

The President's proposals call for application of up-to-date figures in calculating parity for all farm commodities, beginning January 1, 1956. This use of a "modernized" parity formula would take into account changes in farm costs as farming methods are improved. It also would reflect changes in demand for the different farm products. The decline in parity calculations permitted in the shift to modernized parity would be limited to 5 percent a year.

Until the last few years, parity for nearly all farm commodities was figured on the basis of average prices received and paid during the period 1909-1914. The method of determining parity was changed by taking into account price relationships during the most recent 10 years. This has been called "modernized" parity.

Legislation pertaining to the six basic commodities provides that the higher of the parity figures derived from these two basic periods shall be used in determining the price support level for each commodity. On that basis, the old parity formula still is in use for corn, cotton, peanuts, and wheat. Under the new farm program, price supports for all commodities would be based on the modernized parity formula, with the transition starting January 1, 1956.

COMMODITY PROVISIONS

Following are the principal provisions of the recommended farm program for price support on the major agricultural commodities:

Corn -- Price support to range between 75 and 90 percent of parity beginning in 1955. To start the transition to modernized parity in 1956. Price support level to drop one percent for each one percent increase in supply.

Cotton -- Support between 75 and 90 percent of parity to start in 1955. Modernized parity in 1956. Ease production controls. Part of cotton reserve to be "frozen."

Peanuts -- Flexible support to begin in 1955; start transition to modernized parity in 1956.

Rice -- Flexible support to begin in 1955.

Tobacco -- Present program of 90-percent support and marketing quotas to continue.

Wheat -- Support at between 75 and 90 percent of parity to start in 1955; transition to modernized parity to start in 1956. Part of wheat reserve to be "frozen." Continue authority for acreage allotments and marketing quotas.

Dairy Products -- Continue flexible support program at between 75 and 90 percent of parity. Possibly set aside excess reserve.

Feed Grains -- Barley, Grain Sorghums, and Oats -- Continue present program of flexible supports as determined by Secretary of Agriculture.

Fruits and Vegetables -- Continue present program of purchases with Section 32 funds in case of market distress. Continue, liberalize, and enlarge program of marketing agreements. Permit same type of program for potato growers as is now available on other fruits and vegetables.

Meat Animals and Poultry and Eggs -- Continue present price support legislation authorizing permissive, not mandatory, support at levels not to exceed 90 percent of parity.

Oil Seeds -- Continue present program of permissive support at levels not to exceed 90 percent of parity. "Freeze" large quantities of vegetable oils.

Sugar -- Continue sugar program in essentially its present form.

Tung Nuts and Honey -- It is recommended that mandatory price supports for these commodities be made discretionary.

Wool -- An entirely new program is proposed for wool. It calls for direct payments to domestic producers sufficient, when added to the average market price, to raise average return per pound to 90 percent of parity. Support at 90 percent is considered necessary to meet the goal of domestic production established in current legislation. All producers would receive the same support payment per pound of wool. Similar program is recommended for mohair.

GOALS OF THE PROPOSED NEW PROGRAM

Protect farm prices and income against serious declines.

Lessen depressing effects of surpluses on market prices by "freezing" excess reserves.

Avoid building up additional surpluses, while working off present stocks outside regular commercial channels.

Give farmers freedom to increase efficiency and diversify production.

Provide fair and equitable treatment for all producers.

Encourage better balanced production to meet current demand.

Improve price relationships between feed grains and livestock products.

Reduce the need for production controls.

Enable consumers to buy food and other farm products at prices more nearly reflecting available supplies.

Minimize the problem of diverted acres.

Increase incentives to conserve and improve the soil.

Stimulate and encourage good farm management.

Help farmers attain full parity in the market.

Permit long-term plans for efficient production and marketing.

Give greater attention to the needs of small farmers.

Avoid sharp year-to-year changes in prices and income.

Encourage development of new domestic and foreign markets.

Provide reserves for use in foreign economic assistance and disaster relief.